

OMNICOM GROUP INC.  
Form 10-Q  
April 22, 2013

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF  
1934  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013

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Commission File Number: 1-10551

OMNICOM GROUP INC.  
(Exact name of registrant as specified in its charter)

New York 13-1514814  
(State or other jurisdiction of incorporation or (IRS Employer Identification No.)  
organization)

437 Madison Avenue, New York, New York 10022  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 415-3600

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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As of April 15, 2013, there were 258,583,500 shares of Omnicom Group Inc. Common Stock outstanding.

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OMNICOM GROUP INC.  
 QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2013

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Forward-Looking Statements

Certain of the statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, from time to time, we or our representatives have made or may make forward-looking statements, orally or in writing. These statements relate to future events or future financial performance and involve known and unknown risks and other factors that may cause our actual or our industry's results, levels of activity or achievement to be materially different from those expressed or implied by any forward-looking statements. These risks and uncertainties, including those resulting from specific factors identified under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," include, but are not limited to, our future financial position and results of operations, global economic conditions, losses on media purchases and production costs incurred on behalf of clients, reductions in client spending and/or a slowdown in client payments, competitive factors, changes in client communication requirements, managing conflicts of interest, the hiring and retention of personnel, maintaining a highly skilled workforce, our ability to attract new clients and retain existing clients, reliance on information technology systems, changes in government regulations impacting our advertising and marketing strategies, conditions in the credit markets, risks associated with assumptions we make in connection with our critical accounting estimates and legal proceedings, and our international operations, which are subject to the risks of currency fluctuations and foreign exchange controls. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or "continue" of those terms or other comparable terminology. These statements are our present expectations. Actual events or results may differ. We undertake no obligation to update or revise any forward-looking statement, except as required by law.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

OMNICOM GROUP INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In millions)

	March 31, 2013	December 31, 2012
	(Unaudited)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$2,071.8	\$2,678.3
Short-term investments, at cost	18.5	20.6
Accounts receivable, net of allowance for doubtful accounts of \$33.0 and \$35.9	6,313.2	6,958.2
Work in process	1,188.9	1,008.4
Other current assets	1,008.8	995.9
Total Current Assets	10,601.2	11,661.4
Property and Equipment at cost, less accumulated depreciation of \$1,205.3 and \$1,234.8	708.0	723.8
Equity Method Investments	154.4	155.2
Goodwill	8,713.9	8,844.2
Intangible Assets, net of accumulated amortization of \$515.0 and \$498.0	434.9	456.1
Other Assets	295.9	311.2
TOTAL ASSETS	\$20,908.3	\$22,151.9
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts payable	\$7,294.7	\$8,296.7
Customer advances	1,243.8	1,231.5
Current portion of debt	0.4	0.4
Short-term borrowings	11.6	6.4
Taxes payable	238.3	264.4
Other current liabilities	2,154.5	2,076.4
Total Current Liabilities	10,943.3	11,875.8
Long-Term Notes Payable	3,786.9	3,789.1
Convertible Debt	659.4	659.4
Long-Term Liabilities	725.1	739.9

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Long-Term Deferred Tax Liabilities	944.0	933.0
Commitments and Contingent Liabilities (See Note 11)		
Temporary Equity - Redeemable Noncontrolling Interests	191.5	198.4
Equity:		
Shareholders' Equity:		
Preferred stock	—	—
Common stock	59.6	59.6
Additional paid-in capital	844.6	836.6
Retained earnings	8,492.9	8,394.4
Accumulated other comprehensive income (loss)	(300.4	) (129.5
Treasury stock, at cost	(5,923.6	) (5,700.3
		)
Total Shareholders' Equity	3,173.1	3,460.8
Noncontrolling interests	485.0	495.5
Total Equity	3,658.1	3,956.3
TOTAL LIABILITIES AND EQUITY	\$20,908.3	\$22,151.9

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

OMNICOM GROUP INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (In millions, except per share amounts)  
 (Unaudited)

	Three Months Ended March 31,	
	2013	2012
Revenue	\$3,398.9	\$3,307.3
Operating Expenses	3,027.2	2,944.8
Operating Income	371.7	362.5
Interest Expense	49.0	38.5
Interest Income	8.1	9.3
Income Before Income Taxes and Income From Equity Method Investments	330.8	333.3
Income Tax Expense	109.2	109.3
Income From Equity Method Investments	3.2	2.0
Net Income	224.8	226.0
Less: Net Income Attributed To Noncontrolling Interests	19.7	21.4
Net Income - Omnicom Group Inc.	\$205.1	\$204.6
Net Income Per Share - Omnicom Group Inc.:		
Basic	\$0.76	\$0.73
Diluted	\$0.76	\$0.72
Dividends Declared Per Common Share	\$0.40	\$0.30

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

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OMNICOM GROUP INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (In millions)  
 (Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net Income	\$224.8	\$226.0
Unrealized gain on available-for-sale securities, net of income taxes of \$0.1 for the three months ended March 31, 2013	0.2	—
Foreign currency translation adjustment, net of income taxes of (\$94.5) and \$49.8 for the three months ended March 31, 2013 and 2012, respectively	(183.3	) 96.7
Defined benefit pension and postemployment plans adjustment, net of income taxes of \$1.3 and \$0.7 for the three months ended March 31, 2013 and 2012, respectively	1.7	1.1
Other Comprehensive Income	(181.4	) 97.8
Comprehensive Income	43.4	323.8
Less: Comprehensive Income attributed to noncontrolling interests	9.2	23.6
Comprehensive Income - Omnicom Group Inc.	\$34.2	\$300.2

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

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OMNICOM GROUP INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In millions)  
 (Unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash Flows from Operating Activities:		
Net income	\$224.8	\$226.0
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	45.7	45.3
Amortization of intangible assets	25.4	24.0
Amortization of deferred gain from termination of interest rate swaps	(1.8)	) (1.8)
Income from equity method investments, net of dividends received	(0.9)	) 0.6
Provision for doubtful accounts	(0.4)	) 1.5
Share-based compensation	22.1	26.3
Excess tax benefit from share-based compensation	(12.8)	) (11.4)
Change in operating capital	(511.8)	) (311.0)
Net Cash Used In Operating Activities	(209.7)	) (0.5)
Cash Flows from Investing Activities:		
Payments to acquire property and equipment	(38.2)	) (45.6)
Payments to acquire businesses and interests in affiliates, net of cash acquired	(0.9)	) (30.4)
Proceeds from investments	2.7	18.8
Net Cash Used In Investing Activities	(36.4)	) (57.2)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	5.4	1.9
Payments of dividends	—	(69.8)
Payments for repurchase of common stock	(273.5)	) (254.7)
Proceeds from stock plans	22.4	90.4
Payments for acquisition of additional noncontrolling interests	(5.6)	) (1.3)
Payments of dividends to noncontrolling interest shareholders	(23.0)	) (23.0)
Payments of contingent purchase price obligations	(13.5)	) (1.4)
Excess tax benefit on share-based compensation	12.8	11.4
Other, net	(9.3)	) (5.8)
Net Cash Used In Financing Activities	(284.3)	) (252.3)

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Effect of exchange rate changes on cash and cash equivalents	(76.1	) 31.5	
Net Decrease in Cash and Cash Equivalents	(606.5	) (278.5	)
Cash and Cash Equivalents at the Beginning of the Period	2,678.3	1,781.2	
Cash and Cash Equivalents at the End of the Period	\$2,071.8	\$1,502.7	

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

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OMNICOM GROUP INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Presentation of Financial Statements

The terms "Omnicom," "we," "our" and "us" each refer to Omnicom Group Inc. and our subsidiaries, unless the context indicates otherwise. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP" or "GAAP") for interim financial information and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosure have been condensed or omitted.

In our opinion, the accompanying unaudited condensed financial statements reflect all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation, in all material respects, of the information contained herein. These unaudited condensed financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012 ("2012 Form 10-K"). Results for the interim periods are not necessarily indicative of results that may be expected for the year.

2. New Accounting Standards

On January 1, 2013, we adopted FASB Accounting Standards Update ("ASU") No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities ("ASU 2013-01"). ASU 2013-01 amended existing guidance by requiring additional disclosure about financial instruments and derivative instruments that are either (1) offset in the statement of financial position or (2) subject to an enforceable master netting arrangement. ASU 2013-01 requires retrospective disclosure for all comparative periods. The adoption of ASU 2013-01 did not have a material impact on our financial position or financial statement disclosure.

As of March 31, 2013, we adopted FASB ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). ASU 2013-02 amended existing guidance by requiring additional disclosure either on the face of the income statement or in the notes to the financial statements of significant amounts reclassified out of accumulated other comprehensive income. ASU 2013-01 requires prospective adoption, and effects financial statement disclosure only. The adoption of ASU 2013-01 had no affect on our results of operations or financial position.

3. Net Income per Common Share

Net income per common share is based on the weighted average number of common shares outstanding during each period. Diluted net income per common share is based on the weighted average number of common shares outstanding, plus, if dilutive, common share equivalents, which include outstanding stock options and restricted stock, and shares issuable for the conversion value of our convertible debt.

Net income per common share is calculated using the two-class method, which is an earnings allocation method for computing net income per common share when a company's capital structure includes common stock and participating securities. Our unvested restricted stock awards receive non-forfeitable dividends at the same rate as our common stock and therefore are considered participating securities. Under the two-class method, basic and diluted net income per common share is reduced for a presumed hypothetical distribution of earnings to holders of our unvested restricted stock.

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The computations of basic and diluted net income per common share for the three months ended March 31, 2013 and 2012 were (in millions, except per share amounts):

	2013	2012
Net Income Available for Common Shares:		
Net income - Omnicom Group Inc.	\$205.1	\$204.6
Net income allocated to participating securities	(5.4	) (4.5
Net income available for common shares	\$199.7	\$200.1
Weighted Average Shares:		
Basic	261.0	273.3
Dilutive stock options and restricted shares and shares issuable for the conversion value of convertible debt	2.2	4.2
Diluted	263.2	277.5
Anti-dilutive stock options and restricted shares	0.1	0.2
Net Income per Common Share - Omnicom Group Inc.:		
Basic	\$0.76	\$0.73
Diluted	\$0.76	\$0.72

4. Goodwill and Intangible Assets

Goodwill and intangible assets at March 31, 2013 and December 31, 2012 were (in millions):

	2013			2012		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Goodwill	\$9,279.8	\$565.9	\$8,713.9	\$9,424.3	\$580.1	\$8,844.2
Intangible assets:						
Purchased and internally developed software	\$281.9	\$220.4	\$61.5	\$283.3	\$218.8	\$64.5
Customer related and other	668.0	294.6	373.4	670.8	279.2	391.6
	\$949.9	\$515.0	\$434.9	\$954.1	\$498.0	\$456.1

Changes in goodwill for the three months ended March 31, 2013 and 2012 were (in millions):

2013	2012
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Balance January 1	\$8,844.2	\$8,456.3
Acquisitions	1.5	35.4
Dispositions	(0.6	) (0.5
Foreign currency translation	(131.2	) 83.3
Balance March 31	\$8,713.9	\$8,574.5

There were no goodwill impairment losses recorded in the first three months of 2013 or 2012 and there are no accumulated goodwill impairment losses. Goodwill resulting from acquisitions completed during 2013 and 2012 includes \$0.7 million and \$140.9 million, respectively, of goodwill attributed to noncontrolling interests in the acquired businesses.

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## 5. Debt

## Lines of Credit

We have committed and uncommitted lines of credit. We have a \$2.5 billion committed line of credit ("Credit Agreement") with a consortium of banks expiring on October 12, 2016. We have the ability to classify borrowings under the Credit Agreement as long-term. The Credit Agreement provides support for up to \$1.5 billion of commercial paper issuances, as well as back-up liquidity in the event that any of our convertible notes are put back to us. The issuance of commercial paper reduces the amount available under the Credit Agreement. At March 31, 2013, there were no outstanding commercial paper issuances or borrowings under the Credit Agreement. At March 31, 2013 and December 31, 2012, we had various uncommitted lines of credit aggregating \$919.7 million and \$878.2 million, respectively.

Our available and unused lines of credit at March 31, 2013 and December 31, 2012 were (in millions):

	2013	2012
Credit Agreement	\$2,500.0	\$2,500.0
Uncommitted lines of credit	919.7	878.2
Available and unused lines of credit	\$3,419.7	\$3,378.2

The Credit Agreement contains financial covenants that restrict our ability to incur indebtedness as defined in the agreement. These financial covenants limit the Leverage Ratio of total consolidated indebtedness to total consolidated EBITDA to no more than 3 times for the most recently ended 12 month period (under the Credit Agreement, EBITDA is defined as earnings before interest, taxes, depreciation and amortization). We are also required to maintain a minimum Interest Coverage Ratio of consolidated EBITDA to interest expense of at least 5 times for the most recently ended 12 month period. At March 31, 2013 we were in compliance with these covenants, as our Leverage Ratio was 2.1 times and our Interest Coverage Ratio was 11.0 times. The Credit Agreement does not limit our ability to declare or pay dividends.

## Short-Term Borrowings

Short-term borrowings of \$11.6 million and \$6.4 million at March 31, 2013 and December 31, 2012, respectively, represent bank overdrafts and credit lines of our international subsidiaries. The bank overdrafts and credit lines are treated as unsecured loans pursuant to the agreements supporting the facilities. Due to the short-term nature of these instruments, carrying value approximates fair value.

## Long-Term Notes Payable

Long-term notes payable at March 31, 2013 and December 31, 2012 were (in millions):

	2013	2012
5.90% Senior Notes due April 15, 2016	\$1,000.0	\$1,000.0
6.25% Senior Notes due July 15, 2019	500.0	500.0
4.45% Senior Notes due August 15, 2020	1,000.0	1,000.0
3.625% Senior Notes due May 1, 2022	1,250.0	1,250.0
Other notes and loans	0.4	0.4
	3,750.4	3,750.4
Unamortized premium (discount) on Senior Notes, net	15.6	16.0
Deferred gain from termination of interest rate swaps on Senior Notes due 2016	21.3	23.1

	3,787.3	3,789.5
Less current portion	0.4	0.4
Long-term notes payable	\$3,786.9	\$3,789.1

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## Convertible Debt

Convertible debt at March 31, 2013 and December 31, 2012 was (in millions):

	2013	2012
Convertible Notes - due July 31, 2032	\$252.7	\$252.7
Convertible Notes - due June 15, 2033	0.1	0.1
Convertible Notes - due July 1, 2038	406.6	406.6
	659.4	659.4
Less current portion	—	—
Convertible debt	\$659.4	\$659.4

On June 15, 2013, our 2038 Notes can be put back to us for repurchase and on July 31, 2013, our 2032 Notes can be put back to us for repurchase.

## 6. Segment Reporting

Our wholly and partially owned agencies operate within the advertising, marketing and corporate communications services industry. These agencies are organized into agency networks, virtual client networks, regional reporting units and operating groups. Consistent with our fundamental business strategy, our agencies serve similar clients, in similar industries and, in many cases, the same clients across a variety of geographic regions. In addition, our agency networks have similar economic characteristics including similar costs and long-term profit contribution. The main economic components of each agency are employee compensation and related costs and direct service costs and office and general costs, which include rent and occupancy costs, technology costs and other overhead expenses. Therefore, given these similarities, we aggregate our operating segments, which are our five agency networks, into one reporting segment.

Revenue and long-lived assets and goodwill by geographic region as of and for the periods ended March 31, 2013 and 2012 were (in millions):

	Americas	EMEA	Asia Pacific
2013			
Revenue - Three months ended	\$2,037.2	\$1,001.2	\$360.5
Long-lived assets and goodwill	6,064.4	2,735.1	622.4
2012			
Revenue - Three months ended	\$1,959.4	\$994.6	\$353.3
Long-lived assets and goodwill	5,999.6	2,689.5	572.8

The Americas is composed of the United States, Canada and Latin American countries. EMEA is composed of various Euro currency countries, the United Kingdom, other European countries that have not adopted the European Union Monetary standard, the Middle-East and Africa. Asia Pacific is composed of Australia, China, India, Japan, Korea, New Zealand, Singapore and other Asian countries.

## 7. Income Taxes

Our effective tax rate for the three months ended March 31, 2013 and 2012 was 33.0% and 32.8%, respectively.

At March 31, 2013, our unrecognized tax benefits were \$189.5 million. Of this amount, approximately \$67.1 million would affect our effective tax rate upon resolution of the uncertain tax positions.





8. Pension and Other Postemployment Benefits

Defined Benefit Pension Plans

The components of net periodic benefit cost for the three months ended March 31, 2013 and 2012 were (in millions):

	2013	2012
Service cost	\$1.2	\$1.4
Interest cost	1.5	1.4
Expected return on plan assets	(0.7	) (0.6
Amortization of prior service cost	0.9	0.8
Amortization of actuarial (gains) losses	1.1	0.4
	\$4.0	\$3.4

We contributed \$1.2 million and \$0.5 million to our defined benefit pension plans in the three months ended March 31, 2013 and 2012, respectively.

Postemployment Arrangements

The components of net periodic benefit cost for the three months ended March 31, 2013 and 2012 were (in millions):

	2013	2012
Service cost	\$1.1	\$1.0
Interest cost	1.0	1.2
Amortization of prior service cost	0.5	0.5
Amortization of actuarial (gains) losses	0.5	0.2
	\$3.1	\$2.9

Net periodic benefit cost is included in the salary and service costs component of operating expenses.

9. Operating Expenses

Operating expenses for the three months ended March 31, 2013 and 2012 were (in millions):

	2013	2012
Salary and service costs	\$2,533.6	\$2,434.4
Office and general expenses	493.6	510.4
Operating expenses	\$3,027.2	\$2,944.8

10. Supplemental Cash Flow Data

Change in operating capital for the three months ended March 31, 2013 and 2012 were (in millions):

	2013	2012
(Increase) decrease in accounts receivable	\$544.3	\$796.5
(Increase) decrease in work in process and other current assets	(221.6	) (163.6 )
Increase (decrease) in accounts payable	(886.9	) (932.2 )
Increase (decrease) in customer advances and other current liabilities	58.9	10.9
Change in other assets and liabilities, net	(6.5	) (22.6 )
	\$(511.8	) \$(311.0 )
Income taxes paid	\$108.7	\$123.0
Interest paid	\$40.8	\$41.1

11. Commitments and Contingent Liabilities

In the ordinary course of business, we are involved in various legal proceedings. We do not presently expect that these proceedings will have a material adverse effect on our results of operations or financial position.

12. Fair Value

Financial assets and liabilities measured at fair value on a recurring basis at March 31, 2013 and December 31, 2012 were (in millions):

	Level 1	Level 2	Level 3	Total
March 31, 2013				
Assets:				
Cash and cash equivalents	\$2,071.8			\$2,071.8
Short-term investments	18.5			18.5
Available-for-sale securities	4.3			4.3
Forward foreign exchange contracts		\$0.5		0.5
Liabilities:				
Forward foreign exchange contracts		\$0.7		\$0.7
Contingent purchase price obligations			\$239.6	239.6
December 31, 2012				
Assets:				
Cash and cash equivalents	\$2,678.3			\$2,678.3
Short-term investments	20.6			20.6
Available-for-sale securities	3.9			3.9
Forward foreign exchange contracts		\$0.5		0.5
Liabilities:				
Contingent purchase price obligations			\$266.2	266.2



The reduction in Level 3 contingent purchase price obligations from \$266.2 million at December 31, 2012 to \$239.6 million at March 31, 2013 resulted primarily from payments of \$13.5 million and foreign currency translation changes of \$9.3 million.

The carrying amount and fair value of our financial instruments at March 31, 2013 and December 31, 2012 were (in millions):

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets:</b>				
Cash and cash equivalents	\$2,071.8	\$2,071.8	\$2,678.3	\$2,678.3
Short-term investments	18.5	18.5	20.6	20.6
Available-for-sale securities	4.3	4.3	3.9	3.9
Forward foreign exchange contracts	0.5	0.5	0.5	0.5
Cost method investments	22.6	22.6	23.1	23.1
<b>Liabilities:</b>				
Short-term borrowings	\$11.6	\$11.6	\$6.4	\$6.4
Forward foreign exchange contracts	0.7	0.7	—	—
Contingent purchase price obligations	239.6	239.6	266.2	266.2
Debt	4,446.7	4,869.6	4,448.9	4,857.3

The estimated fair value of derivative positions in forward foreign exchange contracts is determined using model-derived valuations, taking into consideration market rates and counterparty credit risk. The estimated fair value of the contingent purchase price obligation is calculated in accordance with the terms of each acquisition agreement and are appropriately discounted. The fair value of debt is based on quoted market prices.

### 13. Changes in Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2013 were (in millions):

	Unrealized Gain and (Loss) on Available-for-Sale Securities	Defined Benefit Pension and Postemployment Plans	Foreign Currency Translation	Total
Balance January 1	\$ (2.0 )	\$ (89.8 )	\$ (37.7 )	\$ (129.5 )
Other comprehensive income before reclassifications	0.2	—	(172.8)	(172.6)
Amounts reclassified from accumulated other comprehensive income (loss)	—	1.7	—	1.7
Other comprehensive income	0.2	1.7	(172.8)	(170.9)
Balance March 31	\$ (1.8 )	\$ (88.1 )	\$ (210.5 )	\$ (300.4 )

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Reclassifications from accumulated other comprehensive income (loss) for the three months ended March 31, 2013 were (in millions):

Amortization of defined benefit pension and postemployment plans:

Prior service cost	\$1.4
Actuarial (gains) losses	1.6

Net periodic benefit cost (see Note 8)	3.0
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Income tax expense	1.3
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Net of tax	\$1.7
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14. Subsequent Events

We have evaluated events subsequent to the balance sheet date and determined there have not been any events that have occurred that would require adjustment to or disclosure in our unaudited condensed consolidated financial statements.

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Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations  
EXECUTIVE SUMMARY

We are a strategic holding company. We provide professional services to clients through multiple agencies around the world. On a global, pan-regional and local basis, our agencies provide these services in the following disciplines: advertising, customer relationship management, or CRM, public relations and specialty communications. Our business model was built and continues to evolve around our clients. While our agencies operate under different names and frame their ideas in different disciplines, we organize our services around our clients. The fundamental premise of our business is that our clients' specific requirements should be the central focus in how we deliver our services and allocate our resources. This client-centric business model results in multiple agencies collaborating in formal and informal virtual networks that cut across internal organizational structures to deliver consistent brand messages for a specific client and execute against each of our clients' specific marketing requirements. We continually seek to grow our business with our existing clients by maintaining our client-centric approach, as well as expanding our existing business relationships into new markets and with new clients. In addition, we pursue selective acquisitions of complementary companies with strong entrepreneurial management teams that typically serve or have the ability to serve our existing client base.

As a leading global advertising, marketing and corporate communications company, we operate in all major markets around the world. We have a large and diverse client base. Our largest client accounted for 2.7% of our revenue for the three months ended March 31, 2013 and no other client accounted for more than 2.5% of our revenue. Our top 100 clients accounted for approximately 52% of our revenue for the three months ended March 31, 2013. Our business is spread across a number of industry sectors with no one industry comprising more than 14% of our revenue for the three months ended March 31, 2013. Although our revenue is generally balanced between the United States and international markets and we have a large and diverse client base, we are not immune to general economic downturns. As described in more detail below, in the first three months of 2013, our revenue increased 2.8% compared to the first three months of 2012. Increased revenue in the United States and continued growth in the emerging markets of Asia and Latin America was partially offset by the on-going economic weakness in the Euro Zone.

Global economic conditions have a direct impact on our business and financial performance. In particular, current global economic conditions pose a risk that our clients may reduce future spending on advertising and marketing services which could reduce the demand for our services. In the first three months of 2013, the United States experienced modest economic growth and the major economies of Asia and Latin America continued to expand. However, the continuing fiscal issues faced by many countries in the Euro Zone has caused economic difficulty in certain of our Euro Zone markets. We will continue to closely monitor economic conditions, client revenue levels and other factors and, in response to reductions in our client revenue, if necessary, we will take actions available to us to align our cost structure and manage working capital. There can be no assurance whether, or to what extent, our efforts to mitigate any impact of future economic conditions, reductions in our client revenue, changes in client creditworthiness and other developments will be effective.

Certain business trends have had a positive impact on our business and industry. These trends include our clients increasingly expanding the focus of their brand strategies from national markets to pan-regional and global markets and integrating traditional and non-traditional marketing channels, as well as utilizing new communications technologies and emerging digital platforms. Additionally, in an effort to gain greater efficiency and effectiveness from their total marketing budgets, clients are increasingly requiring greater coordination of marketing activities and concentrating these activities with a smaller number of service providers. We believe these trends have benefited our business in the past and over the medium and long term will continue to provide a competitive advantage to us. In the near term, barring unforeseen events and excluding the impact from changes in foreign exchange, as a result of continued improvement in operating performance by many of our agencies and new business activities, we expect our 2013 revenue to increase modestly in excess of the weighted average nominal GDP growth in our major markets. We expect to continue to identify acquisition opportunities intended to build upon the core capabilities of our strategic business platforms, expand our operations in the emerging markets and enhance our capabilities to leverage new technologies that are being used by marketers today.



Given our size and breadth, we manage our business by monitoring several financial indicators. The key indicators that we review focus on revenue and operating expenses. We analyze revenue growth by reviewing the components and mix of the growth, including growth by major geographic region, growth by major marketing discipline, impact from foreign currency fluctuations, growth from acquisitions and growth from our largest clients. In recent years, our revenue has been divided almost evenly between our domestic and international operations.

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For the quarter ended March 31, 2013, our revenue increased 2.8% compared to the quarter ended March 31, 2012, of which 2.9% was organic growth and 0.5% was related to acquisitions, net of dispositions. The impact of foreign exchange rates reduced revenue by 0.6%. Across our geographic markets, revenue increased 4.2% in the United States, 5.7% in the United Kingdom and 2.8% in our other markets, primarily Asia and Latin America, while revenue decreased 3.4% in our Euro markets. The change in revenue in the first quarter of 2013 compared to the first quarter of 2012 in our four fundamental disciplines was as follows: advertising increased 5.7%, CRM decreased 1.3%, public relations increased 3.7% and specialty communications increased 2.9%.

We measure operating expenses in two distinct cost categories: salary and service costs and office and general expenses. Salary and service costs consist of employee compensation and related costs and direct service costs. Office and general expenses consist of rent and occupancy costs, technology costs, depreciation and amortization and other overhead expenses. Each of our agencies requires professionals with a skill set that is common across our disciplines. At the core of this skill set is the ability to understand a client's brand or product and its selling proposition and the ability to develop a unique message to communicate the value of the brand or product to the client's target audience. The facility requirements of our agencies are also similar across geographic regions and disciplines, and their technology requirements are generally limited to personal computers, servers and off-the-shelf software. Because we are a service business, we monitor salary and service costs and office and general costs in relation to revenue. Salary and service costs tend to fluctuate in conjunction with changes in revenue. Salary and service costs increased \$99.2 million in the first quarter of 2013 compared to the first quarter of 2012.

Office and general expenses are less directly linked to changes in our revenue than salary and service costs. Office and general expenses decreased \$16.8 million in the first quarter of 2013 compared to the first quarter of 2012.

Operating margins decreased slightly to 10.9% in the first three months of 2013 from 11.0% in the first three months of 2012 and EBITA margins were 11.7% for the first three months of 2013 and 2012.

Net interest expense increased to \$40.9 million in the first quarter of 2013, compared to \$29.2 million in the first quarter of 2012. Interest expense increased \$10.5 million to \$49.0 million. The increase in interest expense is primarily attributable to increased interest expense resulting from the issuance in 2012 of \$1.25 billion of our 3.625% Senior Notes due May 1, 2022 (the 2022 Notes). Interest income decreased \$1.2 million in the first quarter of 2013, compared to the first quarter of 2012.

Our effective tax rate for the first quarter of 2013 increased slightly to 33.0%, compared to 32.8% for the first quarter of 2012.

Net income - Omnicom Group Inc. in the first quarter of 2013 increased \$0.5 million, or 0.2%, to \$205.1 million from \$204.6 million in the first quarter of 2012. The period-over-period increase in net income - Omnicom Group Inc. is due to the factors described above. Diluted net income per common share - Omnicom Group Inc. increased 5.6% to \$0.76 in the first quarter of 2013, compared to \$0.72 in the first quarter of 2012 due to the factors described above, as well as the reduction in our weighted average common shares outstanding. The reduction in our weighted average common shares outstanding was the result of repurchases of our common stock, net of stock option exercises and shares issued under our employee stock purchase plan.

## RESULTS OF OPERATIONS

First Quarter 2013 Compared to First Quarter 2012

	(In millions)			
	2013	2012		
Revenue	\$3,398.9	\$3,307.3		
Operating Expenses:				
Salary and service costs	2,533.6	2,434.4		
Office and general expenses	493.6	510.4		
Total Operating Expenses	3,027.2	2,944.8		
Add back: Amortization of intangible assets	25.4	24.0		
	3,001.8	2,920.8		
Earnings before interest, taxes and amortization of intangible assets (“EBITA”)	397.1	386.5		
EBITA Margin - %	11.7	% 11.7		%
Deduct: Amortization of intangible assets	25.4	24.0		
Operating Income	371.7	362.5		
Operating Margin - %	10.9	% 11.0		%
Interest Expense	49.0	38.5		
Interest Income	8.1	9.3		
Income Before Income Taxes and Income From Equity Method Investments	330.8	333.3		
Income Tax Expense	109.2	109.3		
Income From Equity Method Investments	3.2	2.0		
Net Income	224.8	226.0		
Less: Net Income Attributed To Noncontrolling Interests	19.7	21.4		
Net Income - Omnicom Group Inc.	\$205.1	\$204.6		

EBITA, which we define as earnings before interest, taxes and amortization of intangible assets, and EBITA Margin, which we define as EBITA divided by Revenue, are Non-GAAP measures. We use EBITA and EBITA Margin as additional operating performance measures, which exclude the non-cash amortization expense of acquired intangible assets. The table above reconciles EBITA and EBITA Margin to the U.S. GAAP financial measure of Operating Income for the periods presented. We believe that EBITA and EBITA Margin are useful measures to evaluate the performance of our businesses. Non-GAAP financial measures should not be considered in isolation from or as a substitute for financial information presented in compliance with U.S. GAAP. Non-GAAP financial measures reported by us may not be comparable to similarly titled amounts reported by other companies.

Revenue: Revenue for the first quarter of 2013 increased 2.8% to \$3,398.9 million, from \$3,307.3 million in the first quarter of 2012. Organic growth increased revenue by \$95.7 million and acquisitions, net of dispositions, increased revenue by \$15.4 million. Changes in foreign exchange rates reduced revenue by \$19.5 million.

The components of the first quarter of 2013 revenue change in the United States (“Domestic”) and the remainder of the world (“International”) were (in millions):

Total		Domestic		International	
\$	%	\$	%	\$	%

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Quarter ended March 31, 2012	\$3,307.3			\$1,719.3			\$1,588.0					
Components of revenue change:												
Foreign exchange impact	(19.5	)	(0.6	)%	—		—	%	(19.5	)	(1.2	)%
Acquisitions, net of dispositions	15.4		0.5	%	2.2		0.1	%	13.2		0.8	%
Organic growth	95.7		2.9	%	70.1		4.1	%	25.6		1.6	%
Quarter ended March 31, 2013	\$3,398.9		2.8	%	\$1,791.6		4.2	%	\$1,607.3		1.2	%

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The components and percentages are calculated as follows:

The foreign exchange impact is calculated by first converting the current period's local currency revenue using the average exchange rates from the equivalent prior period to arrive at a constant currency revenue (in this case \$3,418.4 million for the Total column in the table). The foreign exchange impact equals the difference between the current period revenue in U.S. dollars and the current period revenue in constant currency (in this case \$3,398.9 million less \$3,418.4 million for the Total column in the table).

The acquisition component is calculated by aggregating the applicable prior period revenue of the acquired businesses, less revenue of any business included in the prior period revenue that was disposed of subsequent to the period.

Organic growth is calculated by subtracting both the foreign exchange and acquisition revenue from total revenue growth.

The percentage change is calculated by dividing the individual component amount by the prior period revenue base of that component (in the case \$3,307.3 million for the Total column in the table).

Revenue for the first quarter of 2013 and the percentage change in revenue and organic growth from the first quarter of 2012 in our primary geographic markets were (in millions):

	Revenue	% Change	% Organic Growth	
United States	\$1,791.6	4.2	% 4.1	%
Euro Markets	529.1	(3.4	)% (3.7	)%
United Kingdom	303.2	5.7	% 2.3	%
Other	775.0	2.8	% 5.2	%
	\$3,398.9	2.8	% 2.9	%

For the first quarter of 2013, changes in foreign exchange rates reduced revenue by 0.6%, or \$19.5 million, compared to the first quarter of 2012. The most significant impacts resulted from the strengthening of the U.S. Dollar against the Japanese Yen, Brazilian Real and British Pound.

Assuming exchange rates at April 15, 2013 remain unchanged, we expect foreign exchange impacts to have a marginally negative impact on 2013 revenue.

Due to a variety of factors, in the normal course, our agencies both gain and lose business from clients each year. The net result through the first quarter of 2013 was an overall gain in new business. Under our client-centric approach, we seek to broaden our relationships with all of our clients. Revenue from our largest client represented 2.7% and 2.5% of our revenue for the first quarter of 2013 and 2012, respectively. No other client represented more than 2.5% and 2.4% of our revenue for the first quarter of 2013 and 2012, respectively. Our ten largest and 100 largest clients represented 18.8% and 51.9% of our revenue for the first quarter of 2013, respectively and 17.9% and 49.9% of our revenue for the first quarter of 2012, respectively.

Driven by our clients' continuous demand for more effective and efficient marketing activities, we strive to provide an extensive range of advertising, marketing and corporate communications services through various client-centric networks that are organized to meet specific client objectives. These services include advertising, brand consultancy, corporate social responsibility consulting, crisis communications, custom publishing, data analytics, database management, direct marketing, entertainment marketing, environmental design, experiential marketing, field marketing, financial/corporate business-to-business advertising, interactive marketing, marketing research, media planning and buying, mobile marketing, multi-cultural marketing, non-profit marketing, public affairs, public relations, recruitment communications, reputation consulting, retail marketing, search engine marketing, social media marketing and sports and event marketing. In an effort to monitor the changing needs of our clients and to further expand the scope of our services to key clients, we monitor revenue across a broad range of disciplines and group them into the following four categories: advertising, CRM, public relations and specialty communications.



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Revenue for the first quarter of 2013 and 2012 and the percentage change in revenue and organic growth from the first quarter of 2012 by discipline was (in millions):

Three Months Ended March 31,

	2013		2012		2013 vs 2012				
	\$	% of Revenue	\$	% of Revenue	\$	% Change	% Organic Growth		
Advertising	\$1,651.9	48.6	% \$1,563.2	47.3	% \$88.7	5.7	% 6.1	%	
CRM	1,172.7	34.5	% 1,188.6	35.9	% (15.9)	(1.3)	% (0.6)	%	
Public relations	318.4	9.4	% 306.9	9.3	% 11.5	3.7	% 1.9	%	
Specialty communications	255.9	7.5	% 248.6	7.5	% 7.3	2.9	% 1.0	%	
	\$3,398.9		\$3,307.3		\$91.6	2.8	% 2.9	%	

We operate in a number of industry sectors. The percentage of our revenue by industry sector for the first quarter of 2013 and 2012 was:

Industry	2013	2012	
Food and beverage	13.7	% 13.9	%
Consumer products	9.7	% 8.9	%
Pharmaceuticals and health care	9.9	% 9.6	%
Financial services	8.1	% 8.8	%
Technology	9.0	% 8.6	%
Auto	8.0	% 8.3	%
Travel and entertainment	6.3	% 6.2	%
Telecommunications	6.8	% 6.9	%
Retail	7.0	% 6.9	%
Other	21.5	% 21.9	%

Looking ahead to the remainder of the year, barring unforeseen events and excluding the impact from changes in foreign exchange, as a result of continued strong operating performance by many of our agencies and new business activities, we expect our revenue to increase modestly in excess of the weighted average nominal GDP.

Operating Expenses: Operating expenses for the first quarter of 2013 compared to operating expenses for the first quarter of 2012 were (in millions):

Three Months Ended March 31,

2013		2012		2013 vs 2012			
\$	% of Revenue	% of Total Operating	\$	% of Revenue	% of Total Operating	\$ Change	% Change

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	Expenses				Expenses								
Revenue	\$3,398.9				\$3,307.3				\$91.6	2.8	%		
Operating Expenses:													
Salary and service costs	2,533.6	74.5	%	83.7	%	2,434.4	73.6	%	82.7	%	99.2	4.1	%
Office and general expenses	493.6	14.6	%	16.3	%	510.4	15.4	%	17.3	%	(16.8)	(3.3)	)%
Operating Expenses	3,027.2	89.1	%			2,944.8	89.0	%			82.4	2.8	%
Operating Income	\$371.7	10.9	%			\$362.5	11.0	%			\$9.2	2.5	%

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Operating Expenses: Salary and service costs tend to fluctuate in conjunction with changes in revenue. Salary and service costs increased \$99.2 million in the first quarter of 2013 compared to the first quarter of 2012 reflecting growth in revenue and an increase in employee compensation and a change in the mix of our business during the quarter.

Office and general expenses are less directly linked to changes in our revenue than salary and service costs. Office and general expenses decreased \$16.8 million in the first quarter of 2013 compared to the first quarter of 2012, reflecting our continuing efforts to control the cost structures of our agencies.

Operating income increased 2.5% for the first quarter of 2013 compared to the first quarter of 2012, Operating margins decreased slightly to 10.9% in 2013 from 11.0% in 2012 and EBITA margins were 11.7% in the first quarter of 2013 and 2012.

Net Interest Expense: Net interest expense increased to \$40.9 million in the first quarter of 2013, compared to \$29.2 million in the first quarter of 2012. Interest expense increased \$10.5 million to \$49.0 million. The increase in interest expense is primarily attributable to increased interest expense resulting from the issuance of \$1.25 billion of our 3.625% Senior Notes due May 1, 2022 (the 2022 Notes) in 2012. The increase in interest expense was partially offset by lower commercial paper issuances in the first quarter of 2013 compared to the first quarter of 2012. Interest income decreased \$1.2 million in the first quarter of 2013, compared to the first quarter of 2012.

Income Taxes: Our effective tax rate for the first quarter of 2013 increased slightly to 33.0%, compared to 32.8% for the first quarter of 2012.

Net Income Per Common Share - Omnicom Group Inc.: For the foregoing reasons, net income - Omnicom Group Inc. in the first quarter of 2013 increased \$0.5 million, or 0.2%, to \$205.1 million, compared to \$204.6 million in the first quarter of 2012. Diluted net income per common share - Omnicom Group Inc. increased 5.6% to \$0.76 in the first quarter of 2013, compared to \$0.72 in the first quarter of 2012 due to the factors described above, as well as the impact of the reduction in our weighted average common shares outstanding. This reduction was the result of repurchases of our common stock, net of stock option exercises and shares issued under our employee stock purchase plan.

#### CRITICAL ACCOUNTING POLICIES

For a more complete understanding of all of our accounting policies, our financial statements and the related management's discussion and analysis of those results, readers are encouraged to consider this information together with our discussion of our critical accounting policies under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2012 Form 10-K.

#### NEW ACCOUNTING STANDARDS

See Note 2 to our unaudited condensed consolidated financial statements for additional information.

#### LIQUIDITY AND CAPITAL RESOURCES

##### Cash Sources and Requirements, Including Contractual Obligations

Historically, the majority of our non-discretionary cash requirements have been funded from operating cash flow and cash on hand. Working capital is our principal non-discretionary funding requirement. In addition, we have contractual obligations related to our senior notes and convertible notes, our recurring business operations, primarily related to lease obligations, as well as contingent purchase price obligations (earn-outs) related to acquisitions made in prior years.

Our principal discretionary cash uses include dividend payments, capital expenditures, payments for strategic acquisitions and repurchases of our common stock. Our discretionary spending is funded from operating cash flow and cash on hand. In addition, depending on the level of our discretionary activity and conditions in the capital markets, we may use other available sources of funding such as issuing commercial paper, borrowing under our Credit Agreement or other long-term borrowings to finance these activities. For the remainder of 2013, we expect that we should be able to fund both our non-discretionary cash requirements and our discretionary spending without incurring additional long-term debt. However, we may access the capital markets at any time if favorable conditions exist.

We have a seasonal cash requirement normally peaking during the second quarter primarily due to the timing of payments for incentive compensation, income taxes and contingent purchase price obligations. This typically results in a net borrowing requirement that decreases over the course of the year.

During the first three months of 2013, we used \$209.7 million of cash in operations, which included cash used for operating capital of \$511.8 million. During the first three months of 2013, our discretionary spending during the period was primarily comprised of: capital expenditures of \$38.2 million, repurchases of our common stock of \$238.3 million, net of proceeds from stock option exercises and related tax benefits and common stock sold to our employee stock purchase plan, dividends to

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noncontrolling interest shareholders of \$23.0 million and acquisition payments, including contingent purchase price obligations and acquisition of additional shares of noncontrolling interests, of \$20.0 million. In December 2012, we paid the fourth quarter dividend on our common stock that historically had been paid in January of the following year. As a result, no dividends on our common stock were paid in the first quarter of 2013.

#### Cash Management

We manage our cash and liquidity centrally through our regional treasury centers in North America, Europe and Asia. The treasury centers are managed by our wholly-owned finance subsidiaries. Each day, operations with excess funds invest these funds with their regional treasury center. Likewise, operations that require funds borrow from their regional treasury center. The treasury centers aggregate the net position which is either invested with or borrowed from third parties. To the extent that our treasury centers require liquidity, they have the ability to access local currency uncommitted lines of credit, the Credit Agreement or issue up to a total of \$1.5 billion of U.S.

Dollar-denominated commercial paper. This process enables us to manage our debt balances more efficiently and utilize our cash more effectively, as well as better manage our risk to foreign exchange rate changes. In countries where we either do not conduct treasury operations or it is not feasible for one of our treasury centers to fund net borrowing requirements on an intercompany basis, we arrange for local currency uncommitted lines of credit.

Our cash and cash equivalents decreased \$606.5 million to \$2,071.8 million and our short-term investments decreased \$2.1 million to \$18.5 million from December 31, 2012, primarily to fund our seasonal working capital requirement. Short-term investments principally consist of time deposits with financial institutions that we expect to convert into cash within our current operating cycle, generally one year.

At March 31, 2013, our foreign subsidiaries held \$1,866.3 million of our total cash and cash equivalents of \$2,071.8 million. The majority of this cash is available to us, net of any taxes payable upon repatriation to the United States.

Changes in international tax rules or changes in U.S. tax rules and regulations covering international operations and foreign tax credits may affect our future reported financial results or the way we conduct our business.

We have policies governing counterparty credit risk with financial institutions that hold our cash and cash equivalents. In countries where we conduct treasury operations, generally the counterparties are either branches or subsidiaries of institutions that are party to our Credit Agreement. These financial institutions generally have credit ratings equal to or better than our credit ratings. We have deposit limits for each of these institutions. In countries where we do not conduct treasury operations, we ensure that all cash is held by counterparties that meet specific minimum credit standards.

#### Debt Instruments and Related Covenants

We have committed and uncommitted lines of credit. We have a \$2.5 billion committed line of credit, or Credit Agreement, with a consortium of banks expiring on October 12, 2016. We have the ability to classify borrowings under our Credit Agreement as long-term. The Credit Agreement provides support for outstanding commercial paper issuances, as well as back-up liquidity in the event that any of our convertible notes are put back to us. The issuance of commercial paper reduces the amount available under the Credit Agreement.

Depending on market conditions at the time, we typically fund our day-to-day liquidity by issuing commercial paper, borrowing under our uncommitted lines of credit or drawing on our Credit Agreement. At March 31, 2013, there were no outstanding commercial paper issuances or borrowings under the Credit Agreement.

Commercial paper activity for the quarters ended March 31, 2013 and 2012 was (dollars in millions):

	2013	2012	
Average amount outstanding during the quarter	\$67.3	\$353.8	
Maximum amount outstanding during the quarter	\$320.0	\$683.8	
Total issuances during the quarter	\$1,127.0	\$4,271.4	
Average days outstanding	5.4	7.5	
Weighted average interest rate	0.36	% 0.40	%

The reduction in commercial paper borrowings in 2013 as compared to 2012 is a result of the issuance of our 2022 Notes in the second and third quarters of 2012.

At March 31, 2013, short-term borrowings of \$11.6 million represent bank overdrafts and lines of credit of our international subsidiaries. These bank overdrafts and lines of credit are treated as unsecured loans pursuant to the agreements supporting the facilities.

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The Credit Agreement contains financial covenants that restrict our ability to incur indebtedness as defined in the agreement. These financial covenants limit the Leverage Ratio of total consolidated indebtedness to total consolidated EBITDA to no more than 3 times for the most recently ended 12 month period (under the Credit Agreement, EBITDA is defined as earnings before interest, taxes, depreciation and amortization). We are also required to maintain a minimum Interest Coverage Ratio of consolidated EBITDA to interest expense of at least 5 times for the most recently ended 12 month period. At March 31, 2013, we were in compliance with these covenants as our Leverage Ratio was 2.1 times and our Interest Coverage Ratio was 11.0 times. The Credit Agreement does not limit our ability to declare or pay dividends.

At March 31, 2013, the carrying value of our debt and amounts available under the Credit Agreement were (in millions):

	Debt	Available Credit
Short-term borrowings, due in less than one year	\$11.6	\$—
Outstanding Commercial Paper issuances	—	—
Borrowings under the Credit Agreement	—	2,500.0
5.90% Senior Notes due April 15, 2016	1,000.0	—
6.25% Senior Notes due July 15, 2019	500.0	—
4.45% Senior Notes due August 15, 2020	1,000.0	—
3.625% Senior Notes due May 1, 2022	1,250.0	—
Convertible Notes due July 31, 2032	252.7	—
Convertible Notes due June 15, 2033	0.1	—
Convertible Notes due July 1, 2038	406.6	—
Other debt	0.4	—
	4,421.4	2,500.0
Unamortized premium (discount) on Senior Notes, net	15.6	—
Deferred gain from termination of interest rate swaps on Senior Notes due 2016	21.3	—
	\$4,458.3	\$2,500.0

#### Credit Markets and Availability of Credit

We will continue to take actions available to us to respond to changing economic conditions and actively manage our discretionary expenditures and we will continue to monitor and manage the level of credit made available to our clients. We believe that these actions, in addition to operating cash flow and the availability of our Credit Agreement, are sufficient to fund our working capital needs and our discretionary spending.

In funding our day-to-day liquidity, we have historically been a participant in the commercial paper market. We expect to continue funding our day-to-day liquidity through the commercial paper market. However, prior disruptions in the credit markets led to periods of illiquidity in the commercial paper market and higher credit spreads. During these periods of disruption, we used our uncommitted lines of credit and borrowed under our Credit Agreement to mitigate these conditions and to fund our day-to-day liquidity. We will continue to closely monitor our liquidity and the credit markets. We cannot predict with any certainty the impact on us of any future disruptions in the credit markets.

On June 15, 2013, our 2038 Notes may be put back to us for repurchase and on July 31, 2013, our 2032 Notes may be put to us for repurchase. If our convertible notes are put back to us, based on our current financial condition and expectations, we expect to have sufficient available cash and unused credit commitments to fund any repurchase. Although such borrowings would reduce the amount available under our Credit Agreement to fund our cash

requirements, we believe that we have sufficient capacity under these commitments to meet our cash requirements for the normal course of our business operations after any repurchase.

**CREDIT RISK**

We provide advertising, marketing and corporate communications services to several thousand clients who operate in nearly every industry sector of the global economy. In the normal course of business, we grant credit to qualified clients. Due to the diversified nature of our client base, we do not believe that we are exposed to a concentration of credit risk as our largest client accounted for 2.7% of our revenue for the first three months of 2013 and no other client accounted for more than 2.5% of our revenue for the first three months of 2013. However, during periods of economic downturn, the credit profiles of our clients could change.

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In the normal course of business, we often enter into contractual commitments with media providers and agreements with production companies on behalf of our clients at levels that can substantially exceed the revenue from our services. Many of our agencies purchase media for our clients and act as an agent for a disclosed principal. These commitments are included in accounts payable when the media services are delivered by the media providers. While operating practices vary by country, media type and media vendor, in the United States and certain foreign markets, many of our contracts with media providers specify that if our client defaults on its payment obligation, then we are not liable to the media providers under the theory of sequential liability until we have been paid for the media by our client. In other countries, we manage our risk in other ways, including evaluating and monitoring our clients' creditworthiness and, in many cases, obtaining credit insurance or requiring payment in advance. Further, in cases where we are committed to a media purchase and it becomes apparent that a client may be unable to pay for the media, options are potentially available to us in the marketplace, in addition to those cited above to mitigate the potential loss, including negotiating with media providers. In addition, our agencies incur production costs on behalf of clients. We usually act as an agent for a disclosed principal in the procurement of these services. We manage the risk of payment default by the client by having the production companies be subject to sequential liability or requiring at least partial payment in advance from our client. However, the agreements entered into, as well as the production costs incurred, are unique to each client. We have not experienced a material loss related to media purchases or production costs incurred on behalf of our clients. However, the risk of a material loss could significantly increase in a severe economic downturn.

#### ITEM 3. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a global service business, we operate in multiple foreign currencies and issue debt in the capital markets. In the normal course of business, we are exposed to foreign currency fluctuations and the impact of interest rate changes. We limit these risks through risk management policies and procedures, including the use of derivatives. For foreign currency exposure, derivatives are used to better manage the cash flow volatility arising from foreign exchange rate fluctuations. For interest rate exposure, derivatives have been used to manage the related cost of debt.

As a result of using derivative instruments, we are exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, we have a policy of only entering into contracts with carefully selected major financial institutions based on specific minimum credit standards and other factors.

Our 2012 Form 10-K provides a detailed discussion of the market risks affecting our operations. No material change has occurred in our market risks since the disclosure contained in our 2012 Form 10-K. See our discussion regarding current economic conditions in Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Executive Summary and Liquidity and Capital Resources sections.

#### ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within applicable time periods. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is accumulated and communicated to management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, as appropriate to allow timely decisions regarding required disclosure. We conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2013. Based on that evaluation, our CEO and CFO concluded that, as of March 31, 2013, our disclosure controls and procedures are effective to ensure that decisions can be made timely with respect to required disclosures, as well as ensuring that the recording, processing, summarization and reporting of information required to be included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 are appropriate.

There have not been any changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. KPMG LLP, an independent registered public accounting firm that audited our consolidated financial statements included in our 2012 Form 10-K, has issued an attestation report on Omnicom's internal control over financial reporting as of December 31, 2012, dated February 19, 2013.





## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

The information regarding legal proceedings described in Note 11 to the unaudited condensed consolidated financial statements set forth in Part I of this Quarterly Report on Form 10-Q is incorporated herein by reference.

## Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A in our 2012 Form 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Stock repurchase activity during the three months ended March 31, 2013 was:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 2013	1,597,822	\$49.93	—	—
February 2013	2,433,052	\$57.04	—	—
March 2013	961,348	\$57.17	—	—
	4,992,222	\$54.79	—	—

During the three months ended March 31, 2013, we purchased 4,588,218 shares of our common stock in the open market for general corporate purposes and withheld 404,004 shares from employees to satisfy estimated tax obligations primarily related to stock option exercises and vesting of restricted stock. The value of the common stock withheld was based on the closing price of our common stock on the applicable exercise or vesting date.

There were no unregistered sales of our equity securities during the three months ended March 31, 2013.

## Item 6. Exhibits

## (a) Exhibits

- 12 Computation of Ratio of Earnings to Fixed Charges.
- 31.1 Certification of the Chief Executive Officer and President required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of the Executive Vice President and Chief Financial Officer required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- 32 Certification of the Chief Executive Officer and President and the Executive Vice President and Chief Financial Officer required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.
- 101 Interactive Data File.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: April 22, 2013

OMNICOM GROUP INC.

/s/ Randall J. Weisenburger

Randall J. Weisenburger  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer and Authorized Signatory)